CITY OF DURHAM
AUDIT SERVICES DEPARTMENT

Controls over Reporting and Recording of Leave
Performance Audit

February 2012

DURHAM

1869
CITY OF MEDICINE

101 City Hall Plaza
Durham, NC 27701
(919) 560-4213

Director of Audit Services
Germaine Brewington, MBA, CPA, CFE

Audit Manager
Sonal Patel, CPA, CIA

Senior Auditor
Craig Umstead, CFE, CFSA

Auditor
Alex Terry, MPA

Audit Intern
Asha Guta

CITY OF DURHAM

Date: February 3, 2012

To: Audit Services Oversight Committee
From: Germaine F. Brewington, Director, Audit Services Department
Re: Controls Over Reporting and Recording of Leave Performance Audit (February 2012)

The Department of Audit Services completed the report on the Controls Over Reporting and Recording of Leave Performance Audit dated February 2012. The purpose of the audit was to determine the accuracy of controls over recording and reporting of leave.

This report presents the observations, results, and recommendations of the Controls Over Reporting and Recording of Leave Performance Audit. City management concurs with the recommendations made. Management's response to the recommendations is included with the attached report.

The Department of Audit Services appreciates the contribution of time and other resources from employees of each City department, especially the Department of Human Resources in the completion of this audit.

TABLE OF CONTENTS

Basic types of leave available to City employees include, sick leave, vacation leave, compensatory leave, funeral leave, management leave and other types of leave.

The MUNIS system is the official system used by the City to capture accrued leave of employees. The City determines its accrued leave liability for employees based on this system. Most departments use Request for Leave Forms to approve and record leave taken; and timekeepers are responsible for recording leave time taken in the MUNIS system.

Policy PER 502, R-2, "Paid Annual Leave" governs vacation leave available to City employees. The Policy outlines the following:

- Paid annual leave (vacation) may not be advanced to employees;
- The Department Head is responsible for consistent application of paid annual leave policies for his/her department and for assigning the responsibility for accurate recording and reporting of paid annual leave used;
- The employee requesting annual leave must complete a Request for Leave Form and submit it to his/her supervisor in advance of the beginning date of the requested leave;
- Completed Request for Leave Forms will be retained as a departmental record for at least two (2) years;
- An employee may accumulate over two hundred and forty (240) hours during the year; however the following stipulations apply:
    - A maximum of two hundred and forty (240) accumulated hours will be carried over to the next year as of December 31 of each year
    - An employee will be paid up to two hundred and forty (240) accumulated hours upon leaving City employment.

City Policies including Policy PER 502, R-2, "Paid Annual leave", Policy HRM – 404, "Management Leave" and Policy PER 540-R1, " Parent's Leave" address the procedure for requesting leave via the request for leave forms. However, the Department of Human Resources does not have an overarching policy on the recording and reporting of all leave.

The following graphs provide information about use of leave by City employees.

Graph 1: The Hours of Vacation Leave Used by Employees during calendar year 2011.
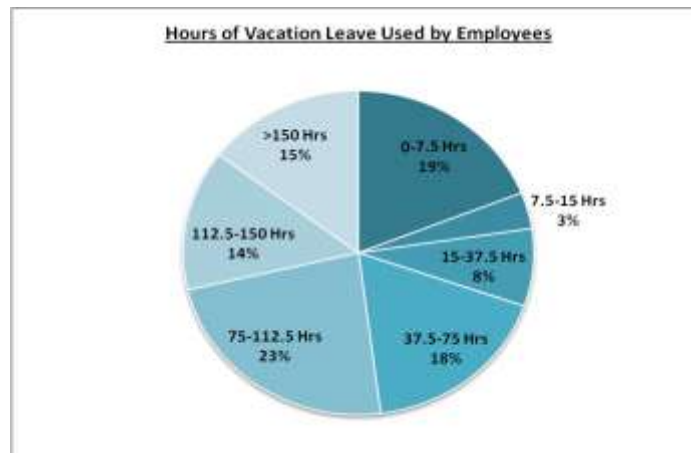
Full time regular employees and employees occupying "temporary with benefits positions" accumulate leave per pay period based on position and length of service. Seventy-one (71%) of City employees used 112.5 hours or less of vacation during the calendar year.

Graph 2: The Hours of Sick Leave Used by Employees during calendar year 2011.
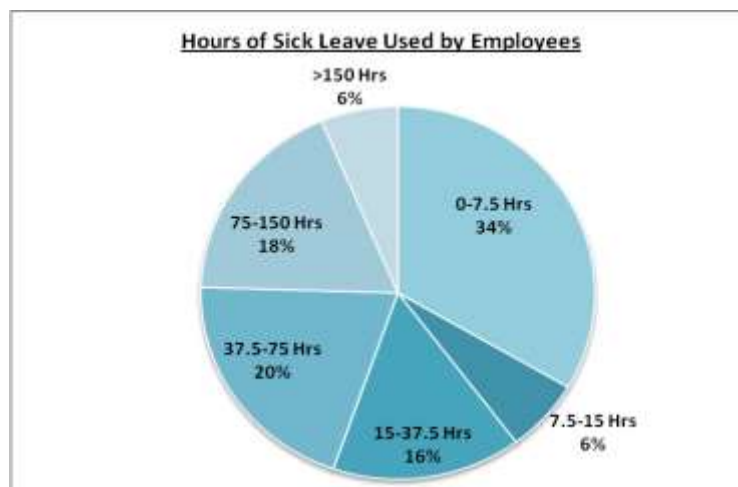
Thirty-four percent (34%) of employees used between 0 and 7.5 hours of sick leave. Twenty-two percent (22%) of employees used between 7.5 and 37.5 hours of sick leave. Twenty percent (20%) of employees used between 37.5 and 75 hours of sick leave. Eighteen percent

(18%) of employees used between 75 and 150 hours of sick leave; and six percent (6%) used greater than 150 hours of sick leave.

Purpose

The purpose of the audit was to determine the accuracy of controls over recording and reporting of leave.

We conducted this performance audit in accordance with generally accepted governmental auditing standards. Those standards require that we plan and perform the audit to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

Processes that work well

- Adequate controls exist over recording of leave from the Request for Leave Form to MUNIS.
- Overall, departments comply with policy PER 502, R-2 "*Paid Annual Leave*".

Areas for improvement

- Written standard operating procedures do not exist in most departments;
- Some departments are maintaining manual/automated systems in addition to MUNIS, but not reconciling the two;
- Controls overall over reporting all leave taken in MUNIS needs strengthening;
- Controls overall of monitoring leave reported in MUNIS needs strengthening.

Objectives

The objectives of the audit were to:

- Ensure that adequate controls exist over reporting and recording of sick and vacation leave;
- Ensure that the departments are complying with Policy PER 502,R-2, Paid Annual Leave; and
- Ensure that the departments have proper management oversight over using and recording of leave taken.

Scope

The scope of the audit included all current practices at the City over recording and reporting of leave.

Methodology

In order to achieve the objectives of the engagement, audit staff performed the following steps and procedures:

1. Obtained a report that shows leave balances for all City employees for calendar year 2011;
2. Analyzed the Leave Balance Report;
3. Identified employees with large sick balances and investigated over thousand (1000) hours of accrued sick leave;
4. Obtained a list of all timekeepers and approvers by departments;
5. Interviewed thirty-five (35) timekeepers representing twenty-three (23) City departments;
6. Surveyed ninety-eight (98) employees responsible for approving leave and analyzed the results;
7. Documented the departmental procedures of reporting and recording of sick and vacation leave at each of the twenty-three (23) departments ;
8. Selected a sample of Request for Leave forms and verified the following:
   a. Verified that hours reported on the Request for Leave form are entered correctly in the MUNIS system
   b. Compared the date leave was taken with the date the leave slip was completed to determine if employees completed a Request for Leave form and submitted it to their supervisors in advance of the requested leave
   c. Compared the date when leave was taken to the date leave was posted in the MUNIS system
   d. Verified that leave was approved by authorized personnel

9. Selected a sample of time sheets and verified the following:
    a. Leave taken per timesheets was recorded in the MUNIS system
10. Obtained and reviewed a report of individual leave balances at the beginning of January 2012 to verify that only a maximum of two hundred-forty (240) hours (except for Police and Fire personnel) were carried over;
11. Verified that departments retained the completed Request for Leave forms for at least two (2) years;
12. Determined that monitoring controls over the use and recording of leave used existed; and
13. Verified controls over negative leave balances existed.

During the audit, the staff also maintained awareness to the potential existence of fraud.

AUDIT RESULTS

Effective Practices:

Overall, adequate controls exist over recording of leave from the Request for Leave forms to MUNIS.

Timekeepers are accurately recording in the MUNIS system leave time taken by employees per the Request for Leave forms.

Audit staff judgmentally selected a sample of four hundred and ninety (490) Request for Leave forms (from 35 timekeepers) and verified that the timekeepers accurately recorded hours of leave taken as reported on these forms in the MUNIS system. Overall timekeepers entered ninety-seven percent (97%) of the selected Request for Leave forms accurately in the MUNIS system. Timekeepers did not accurately enter three percent (3%) or sixteen (16) of the four hundred ninety (490) Request for Leave forms.

Approximately ninety-seven percent (97%) of the timekeepers interviewed had 0-1 instance where audit staff could not validate the Request for Leave form in the MUNIS system.

Overall timekeepers are recording leave taken on a timely basis

For 490-selected Request for Leave forms, audit staff examined the timeliness of recording Request for Leave forms in MUNIS from the date of leave. The results are as follows:

- 23 timekeepers took on average 10 or less days to record leave taken in MUNIS
- 8 timekeepers took on average 11-15 days to record leave in MUNIS
- 4 timekeepers took an average of 16-20 days to record leave in MUNIS

All timekeepers are supposed to record leave taken within two pay periods.   On average timekeepers are recording into MUNIS on a timely basis. The ability for timekeepers to input leave on a timely basis depends on the approvers submitting Request for Leave forms to them on a timely basis.

Overall departments comply with policy PER, 502 R-2, *Paid Annual Leave*

All departments are maintaining leave records for at least a period of two years as required by policy. The Human Resources Department ensures that employees only carry forward a maximum of two hundred forty (240) hours with the exception of Police and Fire personnel as required by Policy.

Audit staff obtained and reviewed the MUNIS report detailing leave balances for all City employees at the beginning of January 2012 in order to verify that employees were allowed to carry over a maximum of 240 hours from the 2011 to 2012 calendar year. One exception was noted.

Areas for improvement:

Written standard operating procedures for the reporting and recording of leave do not exist at most City departments

According to Policy Per, 502-R2, " The department head is responsible for consistent application of paid annual leave polices for his/her department and for assigning the responsibility for accurate recording and reporting of paid annual leave used". Department's procedures vary and in most departments written standard operating procedures/guidelines do not exist. Only three (3) of the thirty-five (35) timekeepers interviewed indicated that a departmental policy exists. The City does not have a specific policy addressing reporting and recording of all leave. Establishing departmental standard operating procedures and an overall City wide policy for reporting and recording of leave will help clarify the roles and responsibilities as well as establish proper controls over recording and reporting of leave taken.

Some departments are using either a manual or an automated system to track leave time in addition to MUNIS and not reconciling the information.

Fourteen timekeepers (in eight departments) are using a manual or automated system in addition to MUNIS for tracking used and accrued leave time. The eight departments are as follows:

- Fire – FD-PLO system
- Police – Employee Leave Accrued/Taken Record sheet
- Water Management – Excel Spreadsheet
- Transportation – Green book (manual spreadsheet)
- Planning – Paperless Tracking system
- Fleet – Excel Spreadsheet
- Emergency Communications – Excel Spreadsheet
- Inspections – Leave book

Audit staff reconciled the accrued leave balance in MUNIS to the accrued leave balance per the manual/automated systems used at six (6) of the eight (8) departments. Exceptions were noted for the following:

- Planning Department
- A few Police Department divisions

MUNIS is the designated system used to track accrued leave balances and to determine the accrued liability for available leave time. The Departments of Fleet Management, Fire and Transportation reconcile the manual/automated

system to MUNIS. The Departments have to ensure that MUNIS is the primary system of record and the information contained in this system is current.

Overall, controls over reporting of all leave taken in the MUNIS system need strengthening

Audit staff visited twenty-three (23) departments and documented the process for reporting leave. Adequate controls are necessary to ensure reporting of all leave taken to the timekeeper. The primary responsibility of reporting all leave taken is that of the supervisor and the employee.

Audit staff could not verify in MUNIS in a few instances, leave recorded on timesheets.

Audit staff selected a sample of timesheets and traced them to the MUNIS system to determine if leave taken per the timesheets was recorded in MUNIS. Most departments do not use timesheets to record time into MUNIS. Request for Leave forms usually drive the recording process. A Request for Leave form should exist for all leave taken per the timesheets. Out of thirty-three (33) instances of leave time reported on timesheets, audit staff found five (5) instances where they could not verify that the time was reported in MUNIS. Possible reasons for these exceptions could be that a last minute change occurred and the timesheet was not corrected or time was inadvertently recorded on the timesheet but not [rightly] recorded in MUNIS. Therefore, it is important for supervisors to be aware of their responsibility to ensure time taken is recorded/reported in MUNIS.

Methods of ensuring that approvers have received a Request for Leave form for all time taken off by each employee vary. Sixty-one percent (61%) of the approvers surveyed, indicated that a valid method of ensuring all leave taken is used.

Audit staff emailed a questionnaire to approvers responsible for approving leave in order to understand their process for approving leave requested. Ninety-eight (98) approvers responded to the questionnaire. One of the questions asked was:

How do approvers ensure that they have received a Request for Leave form for all time taken off by each employee?

- Thirty-three percent (33 %) of the approvers responded that they use a calendar/schedule in some capacity, to track that they received a Request for Leave form for all time taken off by employees
- Fifteen percent (15%) of the approvers responded that they check the request for leave slip to a timesheet/timecard/spreadsheet that keeps track of time
- Thirteen percent (13%) of the approvers stated that they keep records/logs/documentation of hours

- Sixteen percent (16%) of the approvers responded that they require the employees to turn in the leave slip
- Twenty-two (22%) did not answer the question correctly

In some instances, supervisors give approved Request for Leave forms directly back to employees requesting the leave and the employees submit the forms to the timekeepers for entry into the MUNIS system.

Of the thirty-five (35) timekeepers interviewed, eleven (11) indicated that employees submit the approved Request for Leave forms directly to them. This practice would provide an opportunity for fraud/error to occur. To decrease the opportunity for fraud/error and circumvention of the supervisor's approval, supervisors should directly submit all Request for Leave forms to the timekeepers. The eleven (11) timekeepers represent the following departments:

- City Attorney's Office
- City Clerk's Office
- City Manager's Office
- Emergency Communications
- Human Resources
- Neighborhood Improvement Services
- Planning
- Public Works
- Technology Solutions
- Water Management

Noted several instances of timekeepers keying in their own time

Fourteen (14) of the thirty-five (35) timekeepers interviewed indicated that they enter their own leave taken into the MUNIS system. This provides an opportunity for fraud/error to occur especially if adequate supervision does not exist. These eleven timekeepers represent the following departments:

- City Attorney's office
- Community Development
- Human Resources
- Planning
- Police
- Public Works
- Inspections
- Transportation
- Solid Waste

The City Attorney's office, the Department of Human Resources, the Department of Transportation and the Department of Inspections review the work of the timekeepers. However, that is not the case for the other departments.

Approver practices vary on whether or not they confirm if the employee has sick/vacation time available before approving the Request for Leave form

When an employee uses leave, but does not have sufficient leave time accrued, the employee should be charged leave without pay. As per the questionnaire to approvers:

- Sixty five percent (65%) of the approvers stated that they either do not check or do not usually check unless they have a question concerning the employee's leave balance before approving the Request for Leave form
- Thirty four percent (34%) of the approvers stated that they verify that the employee has sufficient accrued leave before approving the Request for Leave form
- One percent (1%) of the approvers did not provide a clear answer.

Overall, controls over monitoring of leave reported in MUNIS need strengthening

Approvers rely on the timekeepers to enter leave taken into MUNIS accurately.

As part of the questionnaire that was sent to the approvers, one of the questions asked was, "How do approvers ensure that all time approved is keyed into MUNIS?"

- Fifty-one percent (51%) of the approvers stated that they rely on the timekeeper to ensure the time is keyed into MUNIS
- Twenty-seven percent (27%) of the approvers stated that they verify all time approved is keyed into MUNIS
- Eighteen percent (18%) of the approvers either stated that it was not their responsibility or they did not verify the information
- Four percent (4%) of the approvers did not answer the question

Supervisors do not review the work of the timekeeper to ensure all Request for Leave forms submitted are entered correctly into MUNIS in seven(7) of the twenty-three(23) departments audited

Fourteen (14) of the thirty- five (35) timekeepers interviewed indicated that supervisors do not review their work to ensure they have entered leave taken accurately in MUNIS. This increases the risk to the City and provides opportunity for fraud/error to occur.

Recommendation 1

The Department of Human Resources should develop a policy for reporting and recording of all leave. The policy should outline the following:

- Responsibility of the employees
- Responsibility of the approvers
- Responsibility of the timekeepers
- Consequences of non-compliance
- Assignment of a back up timekeeper
- Use of other manual/automated systems

Recommendation 2

All City departments should develop and maintain written standard operating procedures to provide staff with specific guidance on reporting and recording of leave taken. The standard operating procedures should describe at least the following:

- A procedure for approvers to verify that they have received a Request for Leave form for all leave approved by them. Approvers can achieve this by performing the following:
    - Reconciling timesheets to Request for Leave forms if time sheets are used by employees to report hours worked
    - In the absence of timesheets, use outlook to maintain a log to record time taken by employees and reconcile Request for Leave forms submitted against this record to ensure all leave time is submitted
- A process for reviewing the timekeepers work
- A procedure that requires approvers to submit approved Request for Leave forms (white copy) directly to the timekeepers for entry into MUNIS
- A report to ensure all approvers can view accrued leave balances for staff for whom they approve leave
- A reconciliation between supporting documentation (timesheets, excel spreadsheets, logs, etc.) and MUNIS.

Recommendation 3

As a best practice, approvers should give approved Request for Leave forms directly to the timekeepers for entry instead of back to the employee. The Human Resources Department should notify the departments that are currently not engaged in this practice.

Recommendation 4

The Department of Human Resources should notify the departments that use other manual/automated systems in addition to MUNIS that they should establish a control to reconcile MUNIS accrued leave balances to these systems. The MUNIS system should reflect all time taken off.

Recommendation 5

The Department of Human resources should notify departments that currently have timekeepers keying in their own time that someone other than the timekeeper should be recording the timekeeper's time. If this is not feasible, adequate review procedures to verify the timekeeper's work should be in place.

Recommendation 6

The Department of Human Resources should annually review controls over recording and reporting of leave at City departments on a sample basis.

Memo to: Germaine F. Brewington, Director of Audit Services
From: Wanda S. Page, Deputy City Manager
               Alethea Bell, Director, Human Resources Department
Date: February   22, 2012
Subject: Management's Response
               Controls Over Reporting and Recording of Leave Performance Audit (February 2012)

The following is management's response to the Controls Over Reporting and Recording of Leave Performance Audit dated February 2012.

Recommendation 1

The Department of Human Resources should develop a policy for reporting and recording of all leave. The policy should outline the following:

- Responsibility of the employees
- Responsibility of the approvers
- Responsibility of the timekeepers
- Consequences of non-compliance
- Assignment of a back up timekeeper
- Use of other manual/automated systems

Management's Response:
We concur. Management is in full agreement with the recommendation. We will draft a new policy with a purpose of providing specific guidance on reporting and recording leave by April 30, 2012. Guidance currently provided in other leave policies and timekeeper training modules will be aligned with this policy.

Recommendation 2:
All City departments should develop and maintain written standard operating procedures to provide staff with specific guidance on reporting and recording of leave taken. The standard operating procedures should describe at least the following:

- A procedure for approvers to verify that they have received a Request for Leave Form for all leave approved by them. Approvers can achieve this by performing the following:
  - Reconciling timesheets to Request for Leave forms if time sheets are used by employees to report hours worked
  - In the absence of timesheets, use outlook to maintain a log to record time taken by employees and reconcile Request for Leave Forms submitted against this record to ensure all leave time is submitted
- A process for reviewing the timekeepers work
- A procedure that requires approvers to submit approved Request for Leave Forms (white copy) directly to the timekeepers for entry into MUNIS
- A report to ensure all approvers can view accrued leave balances for staff for whom they approve leave
- A reconciliation between supporting documentation (timesheets, excel spreadsheets, logs, etc.) and MUNIS.

Management's Response:
We concur. Detailed guidance on reporting and recording leave will be provided in the policy developed and referred to in Recommendation 1. Department's will be directed to develop where there is an absence of such, written procedures to ensure accurate reporting and recording of leave at the departmental level with sufficient controls over the process.

Recommendation 3

As a best practice, approvers should give approved Request for Leave forms directly to the timekeepers for entry instead of back to the employee. The Human Resources Department should notify the departments that are currently not engaged in this practice.

Management's Response:
We concur. Departments will be provided direction in the policy developed and referred to in Recommendation 1. Additionally, the importance of adequate controls in the cycle of reporting and recording of leave will be emphasized in the March 2012 Department Directors general meeting.

Recommendation 4

The Department of Human Resources should notify the departments that use other manual/automated systems in addition to MUNIS that they should establish a control to reconcile MUNIS accrued leave balances to these systems. The MUNIS system should reflect all time taken off.

Management's Response:
We concur. The Department of Human Resources has notified Departments that MUNIS is the leave system of record and should be used for all official leave transactions and additional recordkeeping tools and systems should serve as supplemental information to assist in the local management of leave. Departments will be provided specific direction in the policy developed and referred to in Recommendation 1. Additionally, the importance of adequate controls in the cycle of reporting and recording of leave will be emphasized in the March 2012 Department Directors general meeting.

Recommendation 5

The Department of Human Resources should notify departments that currently have timekeepers keying in their own time that someone other than the timekeeper should be recording the timekeeper's time. If this is not feasible, adequate review procedures to verify the timekeeper's work should be in place.

Management's Response:
We concur. This specific control procedure will be incorporated in the policy referred to in Recommendation 1 above.

Recommendation 6

The Department of Human Resources should annually review controls over recording and reporting of leave at City departments on a sample basis.

Management's Response:
We concur. We will determine an annual sampling date to monitor controls over recording and reporting of leave and take corrective action as required for noncompliance with policies and procedures.